



# Deeds not words: the next stage of the FCA's innovation journey

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Speech by Christopher Woolard, Executive Director of Strategy and Competition at the FCA, delivered at the Innovate Finance Global Summit (IFGS) 2019, London.

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**Speaker:** Christopher Woolard, Executive Director of Strategy and Competition

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## Highlights:

- Five years on from its launch, we're able to demonstrate that FCA Innovate is having a real impact.
- New technologies can help us tackle huge global issues – but this can't be done in isolation. GFIN is helping bring such innovations to market on an international scale.
- The FCA is investing time and resource into exploring how technology can be used for public good – financial crime is a compelling example of this.

**Note:** this is the speech as drafted and may differ from the delivered version.

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## Introduction

Thank you for inviting me here to speak this morning – it's great to be back at the Guildhall.

Regular attendees over the last few years will have become accustomed to me talking about 'the next stage of the FCA's innovation journey'.

It began in 2014, when Innovate was a project staffed by just two employees. Five years on and we have a fully formed Innovation division inside the FCA.

And today we're launching the first [cross-border tests](#) [3] of the [Global Financial Innovation Network](#) [4] (GFIN) – a group of regulators working together to test new propositions across 12 jurisdictions.

From two people five years ago, to a global coalition of regulators who see innovation as a core part of their job.

## The impact of Innovate

But at the FCA we've also taken a step back, and asked ourselves the uncomfortable question: is this working?

We all agree that innovation in the interests of consumers is a good thing. It's a subject that attracts great attention.

But are we achieving it? Can we be measured in deeds and not words?

When we launched FCA Innovate, we believed that we had an approach that could create the conditions for this to happen.

We asked ourselves: can we encourage innovation in the interest of consumers?

Can we help innovative firms operate in a regulatory context, getting their products to market faster?

And can we ensure that the ones who get there are having the impact we want?

Some of this is difficult to measure.

Some effects are hard to isolate from other developments in the market.

And some things may only be observed over a much longer term.

However, nearly five years on, we're able to demonstrate that Innovate is having an impact.

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The [evaluation report](#) [5] we're publishing today shows that:

- We're enabling innovations onto the market faster. Groups of firms that have gone through our Innovate programme have come to market 40% faster than equivalent financial services firms. That equates to shaving three months from testing to roll out.
- Nearly 700 firms have received some kind of assistance from our innovation work.
- Of the 47 firms that have completed Sandbox testing, around 80% are operating in the market, with the necessary authorisation, and there are a further 63 in the pipeline.
- Of the 44 start-ups that tested in the first three Sandbox cohorts, almost half either received additional investment or were acquired during or after their test.
- As we said from the start, we want to see innovation at scale – the number of major firms using our Innovate services is increasing, for example to launch mass-market robo advice. We have seen significant numbers of partnerships between incumbents and fintechs. And we have seen the entry of smaller firms prompt larger players to introduce their own innovative services, for example in insurance.
- Collectively, compared to five years ago, millions of consumers have a range of more efficient, better value or more convenient services available to them.

Since launch, Innovate has received over 1,500 requests for support – that's nearly one application a day. So demand from industry has been huge – with our fifth Sandbox cohort the largest to date.

## Innovation on an international scale

The other question we asked ourselves was: can we see our model of innovation operating on a global scale?

It seemed an obvious question given the intrinsically international nature of the UK's financial markets and the international nature of many fintech firms.

And from the early days of the Sandbox it was clear that firms were keen to grow at real scale and pace, hungry to expand their footprint beyond the domestic market.

This time last year I was here, in the Guildhall, talking about the concept of a global sandbox.

At the start of this year, working with a group of global partners, we launched The Global Financial Innovation Network – GFIN – an international network of regulators, working together to share knowledge and provide an environment in which firms can trial cross-border solutions.

From 12 founding members, GFIN has grown rapidly to encompass a network of 29 organisations.

And today we're adding another six, with the addition of colleagues from markets like Brazil – taking the total to 35.

I'm delighted that today we're also announcing the first 8 firms being considered for cross-border testing through the GFIN network.

Of these, half are testing with the FCA alongside other jurisdictions - those firms are Onfido, Tradle, Ascent RegTech and Starling Trust.

These are propositions that are not just tinkering around the edges of the status quo, but have the potential to fundamentally change how things are done.

Propositions that are taking on known cross-border issues, like trade and consumer access, and offer the possibility of real gains for society.

These are issues that cannot be solved in isolation, one market at a time.

Truly global challenges require a global response and GFIN lets us test whether this can become reality.

## Innovation for public good

We are now at the point where the things that used to be seen as niche can be seen as mass market.

Serious, sophisticated technologies operating in the financial system for real public gain.

By harnessing new technologies and turning them to public good, we're able to do things that just weren't possible before.

I believe all these examples illustrate the power of innovation.

I wanted to mention two more.

First, we can bring innovation and the challenge of the environment together. Today we are announcing the firms who will run tests as part of our [Green FinTech Challenge](#) [6].

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Second, as a regulator, we are also investing time and resource to use more innovation in house.

Financial crime is staggeringly costly – to financial services and society at large. The [United Nations estimates](#) [7] that less than 1 percent of global illicit financial flows are currently seized and frozen, not to mention the links to terrorism, people trafficking and organised crime.

But new technologies offer the potential to tackle this threat and seriously curtail the ability of criminals to take advantage of our financial system.

Last year we held our first TechSprint on financial crime, which brought together 260 participants from 16 countries to explore how innovative solutions could be brought to bear.

The TechSprint demonstrated that, all too often, vital data and knowledge remains siloed within institutions, resulting in a global problem being tackled at an individual level.

In July, we'll be holding a follow-up session to explore how technology can be employed to break down these international barriers.

This will be a truly global effort, with international colleagues from US, Europe, Africa, Asia and the Pacific working together.

Our aim is to prompt solutions that will go on to be tested in the real world through the Sandbox and GFIN.

## Conclusion

To conclude, we can be sure the progress we have made is significant and real.

But, there is much, much more to do.

If you read our evaluation report, you'll see no one is claiming things are perfect. Many of the challenges we face are of a global nature. They range from the environment, to trade, to crime. These challenges will require creativity and vision to overcome. But that also means we continue to see opportunities.

So, the journey continues.

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- [6] <http://www.unodc.org/unodc/en/press/releases/2011/October/unodc-estimates-that-criminals-may-have-laundered-usdollar-1.6-trillion-in-2009.html>